

# United States Senate

WASHINGTON, DC 20510

December 21, 2010

The Honorable Tom Vilsack  
United States Department of Agriculture  
14th and Independence Ave, SW  
Washington, DC 20250

Dear Secretary Vilsack:

We write regarding comments you recently made on your intentions to conduct a cost-benefit analysis (CBA) of your proposed rule amending regulations of the Packers and Stockyard Act. We are very concerned about the inadequacy of the Administration's CBA that was a part of the proposed rule, as it revealed nothing about the methodology or data used to arrive at its hasty conclusions.

According to press reports, last week you indicated that "a far more rigorous cost-benefit analysis will be conducted" and committed to having USDA Chief Economist Joseph Glauber involved in this process. We are hopeful that USDA is now on the path to conducting a thorough, comprehensive CBA, which will provide the kind of information that is necessary to understand the potential consequences of this rule. However, this announcement leads to several relevant questions:

- To what extent will Dr. Glauber be involved in USDA's CBA? Because of the economic expertise and analytic ability of the Office of the Chief Economist (OCE), we urge that the OCE lead the charge in conducting a robust and complete CBA of the proposed rule.
- To what extent will the Office of Information and Regulatory Affairs at the White House Office of Management and Budget be involved?
- Will the CBA be subject to external peer review, ensuring objectivity and that the best economists have an opportunity to rigorously review the new CBA?
- What is the scope of the CBA that will be conducted? Will this analysis account for the potential elimination of alternative marketing arrangements (AMAs)? GIPSA's own most recent study of AMAs concluded that restrictions on the use of AMAs would have severe negative economic effects on livestock producers, meat packers, and consumers. It is important that we have a clear understanding of both the marketing changes that may occur as a result of this rule, as well as the financial impacts on producers, related businesses, and consumers.
- Could the rule actually lead to decreased competition and fewer markets for American producers to market their livestock? We understand that many commenters on the rule are concerned that draconian requirements of the rule, never envisioned in the 2008 farm bill, will lead to fewer buyers, fewer auction barns, and lower producer prices.

As you know, an economic analysis conducted by Informa Economics Inc. on behalf of the National Cattlemen's Beef Association, National Meat Association, National Pork Producers Council, and National Turkey Federation estimated that the rule would result in job losses of more than 22,800, an annual decrease in gross domestic product of as much as \$1.56 billion, and an annual loss in tax revenues of \$359 million. While you may not agree with the conclusions in these industry studies, these analyses should at the very least highlight the need for USDA to conduct its own rigorous CBA that examines both the direct and indirect costs that will potentially result under this rule.

Given the significance of the potential impacts of the proposed rule on livestock and poultry producers, processors, and consumers, it is essential that we proceed with the best information we can, including a thorough and comprehensive CBA conducted by the OCE, aided by an impartial, external peer review.

We appreciate your consideration of our request and look forward to your timely response.

Very truly yours,

Mike Johnson

Bob

Mike Croso

Bob

Jan E. Rind

Robert Winter

Sally Chavkin

John Conner

Jimmy

Jim Chubb

Paul Coleman

Dick Leger